

CITY OF BUFFALO CENTER, IOWA

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
JULY 1, 2020 THROUGH JUNE 30, 2021

- Prepared By -

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CITY OF BUFFALO CENTER, IOWA

TABLE OF CONTENTS

	<u>PAGE</u>
<u>OFFICIALS</u>	1
<u>INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES</u> . . .	2-4
<u>DETAILED FINDINGS AND RECOMMENDATIONS:</u>	<u>Finding</u>
Segregation of Duties	A 5
Centralized Bookkeeping	B 5
Authorized Check Signer	C 5
Information Systems Controls	D 5
Utility Billings	E 6
Investments	F 6
Certified Budget	G 6
Business Transactions	H 6
Electronic Check Retention	I 6
Revenue Bonds	J 6
Countersignature of Checks	K 6
Timesheets	L 7
Road Use Tax Interest	M 7
Transfers	N 7
Outstanding Check Listing	O 7
Emergency Levy	P 7

CITY OF BUFFALO CENTER, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
John Davids	Mayor	January 2022
Rick Hofbauer	Mayor Pro tem	January 2022
Nicholas Holland	Council Member	January 2022
Jared Bechler	Council Member	January 2024
Ricardo Garcia	Council Member	January 2024
Tanner Weaver	Council Member	January 2024
Deb Landheer	Clerk/Treasurer	Indefinite
Don Hemphill	Attorney	Indefinite



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor and
Members of the City Council:

I performed the procedures below, which were established at Iowa Code Chapter 11.6, to provide oversight of Iowa cities. Accordingly, I have applied certain procedures to selected accounting records and related information of the City of Buffalo Center for the period July 1, 2020 through June 30, 2021, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Buffalo Center's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The City of Buffalo Center's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose to report, in accordance with Chapter 11.6 of the Code of Iowa, recommendations pertaining to selected accounting records and related information of the City including the City's compliance with certain Code of Iowa recommendations. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures I performed are summarized as follows:

1. I observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I obtained an understanding of the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and observed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. I scanned City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I observed the City's fiscal year 2021 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.

7. I scanned investments to determine compliance with Chapter 12B of the Code of Iowa.
8. I scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.
9. I scanned debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. The City had no TIF.
11. I traced selected receipts to accurate accounting and consistency with the recommended COA.
12. The City had no voter approved levies.
13. I traced selected disbursements to proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. I traced transfers between funds to proper authorization and accurate accounting and to determine whether transfers were proper.
15. I traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
16. I observed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various findings and recommendations for the City. My findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

I was engaged by the City of Buffalo Center's management to perform this agreed-upon procedures engagement and conducted my engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. I was not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

I am required to be independent of the City of Buffalo Center and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my agreed-upon procedures engagement.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting findings and recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Buffalo Center during the course of my agreed-upon procedures engagement. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in cursive script, reading "Larry Pump". The signature is written in black ink and is positioned above the typed name and date.

Charles City, Iowa
October 26, 2021

Detailed Findings and Recommendations

**CITY OF BUFFALO CENTER, IOWA
DETAILED FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2020 THROUGH JUNE 30, 2021**

- (A) Segregation of Duties - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements. Generally, one individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, recording, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - recordkeeping, preparing and distributing.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and recording.

Recommendation - I realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (B) Centralized Bookkeeping - The bookkeeping and custody of records for the Volunteer Fire Department funds are maintained by individuals outside the City Clerk's office. These transactions and the resulting balances are not recorded in the Clerk's records. Chapter 384.20 of the Code of Iowa states in part that "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose".

Recommendation - For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be recorded in the Clerk's records.

- (C) Authorized Check Signer - It was noted that individuals who are listed on the Volunteer Fire Department signature card are not City employees or Council members.

Recommendation - All bank authorized signature cards should be reviewed and updated. Only current City employees or Council members should be authorized signers.

- (D) Information Systems Controls - The City does not have a written disaster recovery plan.

Recommendation - The City should implement a written disaster recovery plan.

**CITY OF BUFFALO CENTER, IOWA
DETAILED FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2020 THROUGH JUNE 30, 2021**

- (E) Utility Billings - The City does not appear to be assessing sales tax on sewer and solid waste services provided to some non-residential commercial operations.

Recommendation - The City should assess sales tax on sewer and solid waste services provided to non-residential commercial operations in accordance with section 701-26.72 of the Iowa Department of Revenue and Finance Administrative Rules and Regulations.

- (F) Investments - A detailed record of investments is not maintained by the City.

Recommendation - A detailed record of investments by fund should be maintained. This record should include investment number, purchase date, redemption date, interest rate and amount of principal and interest.

- (G) Certified Budget - Disbursements during the year ended June 30, 2021 exceeded the amounts budgeted in the public works and debt service functions prior to amendment. Chapter 384.20 of the Code of Iowa state, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation." Also, the City adopted the amended budget after May 31st.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget and the amended budget adopted prior to May 31st.

- (H) Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Sharon Hippen, Employee, Spouse owns DeVries Lumber	Supplies	\$ 505

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the above transaction does not appear to represent a conflict of interest since total transactions were less than \$6,000 during the fiscal year.

- (I) Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this matter to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check.

Recommendation - The City should obtain and retain images of both the front and back of cancelled checks for all bank accounts as required by Chapter 554D.114 of the Code of Iowa.

- (J) Revenue Bonds - The City did not fund the Water Revenue Bond Sinking Account as required by the bond resolution.

Recommendation - The City should make the necessary transfer as required by the resolution.

- (K) Countersignature of Checks - The City requires checks to be signed by two authorized individuals. I noted two checks with only one authorized signature.

Recommendation - Checks should be prepared and signed by one authorized individual and then the supporting documentation should be made available along with the check to a second independent individual for review and countersignature.

**CITY OF BUFFALO CENTER, IOWA
DETAILED FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2020 THROUGH JUNE 30, 2021**

- (L) Timesheets - Timesheets were not approved for all employees.

Recommendation - Timesheets should be prepared by all employees. Timesheets should be submitted to an appropriate supervisor for approval prior to the preparation of payroll. The supervisor approval should be documented by the signature of the reviewer and that date of the review.

- (M) Road Use Tax Interest - The interest on road use tax funds is not recorded in the General Fund in accordance with Chapter 12C.7(2) of the Code of Iowa.

Recommendation - There is no exception in the Code of Iowa for the Road Use Tax Fund. Therefore, a transfer of \$1.34 to the General Fund from the Special Revenue, Road Use Tax Fund, is recommended. The amount represents interest for the period July 1, 2020 through June 30, 2021. In the future, interest received from invested Road Use Tax monies should be receipted into the General Fund.

- (N) Transfers - Rule 545-2.5 of the Iowa Administrative Code requires transfers between funds be passed by resolution and include a clear statement of the reason or purpose for the transfer, the name of the affected funds and the dollar amount to be transferred. I noted transfers that were not approved by resolution, as required.

Recommendation - The City Council should ensure all transfers are approved by resolution, including all required elements prior to the actual transfer, as required.

- (O) Outstanding Check Listing - The list of outstanding checks at the end of the month should include the check number, amount and date written for each listed check. The City is not including the check date on their listing.

Recommendation - The City should include the check date on the outstanding check listing.

- (P) Emergency Levy - Property tax revenue for the Emergency Levy was deposited in the General Fund rather than a separate Special Revenue Fund, as required by Chapter 384.8 of the Code of Iowa.

Recommendation - The City should set up a separate Special Revenue account for the Emergency Levy and record the Emergency Fund property tax revenue according to the Code of Iowa.